Township of Fairhaven Bay Port, MI (H へ たっか) FINANCIAL REPORT March 31, 2004 Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

	under P.A. 2 of		as amend	ded.								
		pe wnshi	ip 🗌	Village	Other	Local Governm Township	ent Name of Fai	irhaven			County Huron	
Audit D 3/31/				Opinion E 9/17/0			Date Ac 9/17/	ccountant Report Su	bmitted to State:		1101	
Financ	ve audited ance with ial Stateme îrm that:	the fi the S ents fo	inancial Stateme or Coun	statements of t	ents of this he Govern Local Units	local unit of omental Accounts of Governme	governr unting s	nent and render Standards Boar ichigan by the M	red an opinion d (GASB) ar lichigan Depa	on finar d m Cr	ncial state OFFA	ments prepared Morting Format EASURY
		plied	with the	e Bulletir	n for the Au	dits of Local U	Inits of	Government in I	<i>Michigan</i> as re	SE vised.	EP 2 0	2004
						to practice in				LOCAL A	UDIT & F	INANCE DIV.
We furt	ther affirm tents and rec	he fol comm	lowing. endatio	"Yes" re	sponses ha	ave been discl	losed in	the financial st	atements, incl	uding the	notes, or	in the report of
You mu	st check the	e appl	licable l	box for e	ach item be	elow.						
Yes	_						s of the	local unit are ex	cluded from t	he financi	ial staten	nents.
Yes	✓ No	2.	There 275 of	are acci 1980).	umulated d	eficits in one	or more	e of this unit's ເ	inreserved fu	nd baland	es/retain	ed earnings (P.
✓ Yes	☐ No	3.	There amend	are insta ed).	ances of n	on-compliance	e with t	the Uniform Ac	counting and	Budgetin	g Act (P	.A. 2 of 1968, a
Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.												
Yes												
Yes	✓ No							tax revenues ti		cted for a	nother ta	axina unit.
Yes	₽ No	7. p	The loc pension	al unit h	nas violated s (normal c	d the Constitu	itional r	equirement (An	ticle 9, Sectio	n 24) to	fund cur	rent year earne
Yes	☑ No	8. 1	The loc									A. 266 of 199
Yes	✓ No	9. T	he loca	ıl unit ha	s not adopi	ted an investm	nent pol	icy as required l	by P.A. 196 of	1997 (M	CL 129.9	5).
We have	enclosed	the fo	ollowin	g:					Enclosed		Be varded	Not
The lette	r of comme	nts a	nd reco	mmenda	ations.				✓	701	varueu	Required
				ncial ass	sistance pro	ograms (progr	am aud	its).				~
Single Au	udit Reports	(ASL	-GU).									<i>'</i>
George	blic Accountai	nt (Firm	Name)									
	rth Port C	resc	ent					City Bad Axe		State MI	ZIP 484	13
Accountant	Signature	4	1	ch	ul					Date	14-	04
	V		/		'					 -	_ ` 	

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George Zahul, CPA, PC 101 N Port Crescent St Bad Axe, MI 48413 989-269-9966

Independent Auditor's Report

To the Township Council Township of Fairhaven Bay Port, MI 48720-0003

I have audited the accompanying general purpose financial statements of the Township of Fairhaven as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Township of Fairhaven. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Fairhaven as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 14, 2004, on my consideration of the Township of Fairhaven's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the general purpose financial statements of the Township of Fairhaven. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects in relation to the general purpose financial statements taken as a whole.

George Zahul, CPA, PC September 14, 2004

George Zahul, CPA, PC 101 N Port Crescent St **Bad Axe, MI 48413** 989-269-9966

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Township Council Township of Fairhaven Bay Port, MI 48720-0003

I have audited the general purpose financial statements of the Township of Fairhaven as of and for the year ended March 31, 2004, and have issued my report thereon dated April 24, 2002. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contanied in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Fairhaven's general purpose financial statements are free of material misstatements, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of noncompliance that I have reported to management of Township of Fairhaven, in a separate letter dated September 14, 2004.

Internal Control Over Financial Reporting

In planning and perfoming my audit, I considered the Township of Fairhaven's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Village Council, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to

be and should not be used by anyone other than those specified parties.

George Zahul, CPA, PC September 14, 2004

Township of Fairhaven Combined Balance Sheet All Fund Types March 31, 2004

	Governmental Fund Types		s Proprietary Fund Type	Fiduciary Fund Type	Account Group	Total
	<u>General</u>	Special Reveune	Sewer Operating	<u>Enterprise</u>	General	(Memorandum
Assets		***************************************	Akai aim A		Fixed Assets	<u>Only)</u>
Cash and Investments	\$295,162.27	326,263.35	\$ 412,520.75	\$26,392.28	\$ 0.00	# 4 000 000 pc
Accounts Receivable	0.00	,	, , , , , , , , ,	,	\$ 0.00 0.00	\$ 1,060,338.65
Taxes Receivable	2,929.10	0.00	100,011110			188,641.16
Prepaid Insurance	2,697.33	,	0.00		0.00	26,718.82
Fixed Assets net of Depr	0.00	-,	4,043.42 1,612,743.30		0.00	12,101.31
1			1,012,170.00	0.00	796,370.96	2,409,114.26
Total Assets	\$300,788.70	<u>\$355,413.63</u>	\$2,217,948.63	\$26,392.28	<u>\$796,370.96</u>	\$ 3.696.914.20
Liabilities and Fund Equity						
Liabilities						
Accounts Payable Bonds Payable	\$ 0.00	\$ 0.00	\$ 2,564.74	\$ 0.00	\$ 0.00	\$ 2,564.74
1	0.00	0.00	1,097,000.00	0.00	0.00	1,097,000.00
Total Liabilities	0.00	0.00	1,099,564.74	0.00	0.00	1,099,564.74
Fund Equity						
Contributed Capital						1
Investment in Fixed Assets	0.00	0.00	901,803.85	0.00	0.00	901,803.85
Fund Balances	0.00	0.00	0.00	0.00	796,370.96	796,370.96
Reserved	0.00	0.00	0.00	26,392.28	0.00	20, 202, 20
Retained Earnings	0.00	0.00	216,580.04	0.00	0.00	26,392.28
Unreserved	_300,788.70	355,413.63	0.00	0.00	0.00	216,580.04
_				0.00		656,202.33
Total Fund Equity	300,788.70	355,413.63	1,118,383.89	26,392.28	796,370.96	2,597,349.46
Total Liabilities and Fund Equity	\$300.788.70	<u>\$355,413,63</u> .	\$2.217.948.63 <u>\$</u>	\$26,392,28	<u>\$796.370.96</u> <i>_{</i>	\$ 3.696.914.20

Township of Fairhaven Combined Statement of Revenue, Expenditures and Change in Fund Balance For the Year Ended March 31, 2004

Governmental Fund Types

	General		Special Revenue	j	Total Memorandum Only
Revenues					
Property Taxes Licenses and Permits State Revenue Sharing Fire Department Services Interest Miscellaneous	\$ 27,560.45 3,799.48 104,808.00 0.00 3,973.42 4,191.70	3) !	197,275.24 1,648.57 0.00 1,800.00 3,439.44 20,315.69	7))	5 224,835.69 5,448.05 104,808.00 1,800.00 7,412.86 24,507.39
Total Revenues	 144,333.05		224,478.94		368,811.99
Expenditures					
Legislative General Government Public Safety Public Works Other Capital Outlay	720.83 46,637.27 0.00 0.00 51,432.99 0.00		0.00 7,086.09 79,870.57 142,851.43 0.00 18,878.92		720.83 53,723.36 79,870.57 142,851.43 51,432.99 18,878.92
Total Expenditures	 98,791.09		248,687.01		347,478.10
Excess of Revenues over Expenditures Other Financing Sources (Uses)	45,541.96		(24,208.07)		21,333.89
Operating Transfers in Operating Transfers out	 0.00 (3,650.00)		4,612.50 (962.50)		4,612.50 (4,612.50)
Total Other Financing Sources (Uses)	 (3,650.00)		3,650.00		0.00
Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses	41,891.96		(20,558.07)		21,333.89
Fund Balance at Beginning of Year	258,896.74		375,971.70		634,868.44
Fund Balance at End of Year	\$ 300,788.70	\$	355,413.63	\$	656,202.33

Township of Fairhaven Combined Statement of Revenue, Expenditures and Change in Fund Balance - Budget and Actual For the Year Ended March 31, 2004

Governmental Fund Types

	Gene	eral Fund	Variance	Specia	l Revenue		
	Budget	Budget Actual Favorable (Unfavorable		Budge	et Actual	<u>Variance</u> <u>Favorable</u> (Unfavorable)	
Revenues						(*************************************	
Property Taxes	\$ 27,959.23	3 \$ 27,560.45	\$ (398.78)) 189,161.83	197,275.24		
Licenses and Permits	37.00		3,762.48		•	8,113.41	
Sales Tax	109,500.00	104,808.00	(4,692.00)	,	1,010.01	(313.93)	
Fire Department Services	0.00	0.00	0.00	1,650.00		0.00	
Interest	6,000.00	3,973.42	(2,026.58)		,,,,,,,,,,	150.00	
Miscellaneous	4,200.00	4,191.70	(8.30)	,	.,	(260.56) 3,415.69	
Total Revenues	147,696.23	144,333.05	(3,363.18)	213,374.33	224,478.94	11,104.61	
Expenditures							
Legislative	1,300.00	720.00					
General Government	64,060.00	0.00	579.17	0.00	0.00	0.00	
Public Safety	0.00	46,637.27	17,422.73	14,600.00	7,086.09	7,513.91	
Public Works	0.00	0.00	0.00	80,760.00	79,870.57	889.43	
Other	73,638.00	0.00	0.00	110,000.00	142,851.43	(32,851.43)	
Capital Outlay	0.00	51,432.99	22,205.01	0.00	0.00	0.00	
•		0.00	0.00	17,500.00	18,878.92	(1,378.92)	
Total Expenditures	138,998.00	98,791.09	40,206.91	222,860.00	248,687.01	(25,827.01)	
Excess of Revenues over Expenditures	8,698.23	45,541.96	36,843.73	(9,485.67)	(24,208.07)	(14,722.40)	
Other Financing Sources (Uses)							
Operating Transfers in	0.00	0.00	0.00	4,612.50	4.640.50		
Operating Transfers out	(3,650.00)	(3,650.00)	0.00	(962.50)	4,612.50	0.00	
•				(902.50)	(962.50)	0.00	
Total Other Financing Sources (Uses)	(3,650.00)	(3,650.00)	0.00	3,650.00	3,650.00	0.00	
Excess of Revenues and Other Sources							
Over/Under/Eyponditures and out to	\$ 5,048.23	41,891.96 \$	36,843.73	5 (5,835.67)	(20,558.07) \$	(14,722.40)	
Fund Balance at Beginning of Year		258,896.74			375,971.70		
Fund Balance at End of Year	=	\$300,788.70		\$	355,413.63		

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Type Sewer Operating Fund Statement of Revenues, Expenses and Changes in Retained Earnings Budget and Actual For the Year Ended March 31, 2004

	Budget	Actual	Variance Favorable	
Operating Revenues			(Unfavorable)	
Sewer Fees				
	\$ 89,686.40	\$ 88,456.66	\$ (1,229.74)	
Total Operating Revenues	89,686.40	88,456.66	(1,229.74)	
Operating Expenses				
Office Supplies	100.00	25.58	74.42	
Contracted Services-Vollmer	10,000.00	23,184.99	(13,184.99)	
Postage	400.00	296.18	(13,184.99)	
Lagoon Maintenance Salary	5,000.00	2,712.00		
Administrative Wage - Clerk	2,000.00	2,000.00	2,288.00	
Administrative Wage - Treasuer	3,000.00	3,000.00	0.00	
Chemicals and Lab Supplies	0.00	315.10	0.00	
Lab/lagoon Testing	0.00	720.00	(315.10)	
Repairs and Maintenance	3,500.00	518.15	(720.00)	
Reports to DNR	800.00	360.00	2,981.85	
Insurance - Workers Comp	100.00		440.00	
Insurance - Liability	4,900.00	116.25	(16.25)	
Fuel Tires Oil and Accessories	500.00	5,051.98	(151.98)	
Miscellaneous	500.00	68.10	431.90	
Travel		416.00	84.00	
Depreciation Expense	0.00	845.00	(845.00)	
Total Operating Expenses	148,500.00	148,496.00	4.00	
,	179,300.00	188,125.33	0.00	
Operating Income (loss)	(89,613.60)	(99,668.67)	(10,055.07)	
Other Income (Expense)				
Interest Income	27,563.00	17,586.68	(0.070.00)	
Interest Expense	(65,400.00)		(9,976.32)	
	(00,+00.00)	(64,919.00)	481.00	
Total Other Income (Expense)	(37,837.00)	(47,332.32)	0.00	
Net Income (loss) From Operations Add: Transfer of depreciation on assets	\$ (127,450,60)	(147,000.99) _	(19,550,39)	
acquired with contributions and grants				
in aid of construction to contributed equity	_	117,781.00		
Net Income (Loss)		(29,219.99)		
Retained Earnings Beginning of Year		245,800.03		
Retained Earnings End of Year	<u>\$</u>	216,580.04		

Township of Fairhaven Proprietary Fund Type Sewer Operating Fund Statement of Cash Flows For The Year Ended March 31, 2004

Cash Flows	From	Operating	Activities
------------	------	-----------	------------

Per a rem operating Activities	
Net Income (Loss) Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:	\$ (147,000.99)
Depreciation and Amortization Losses (Gains) on sales of	148,496.00
Fixed Assets Decrease (Increase) in Operating Assets:	0.00
Accounts Receivable Other	7,257.59
Increase (Decrease) in Operating Liabilities: Accounts Payable	350.32
Accrued Liabilities	1,562.73
Total Adjustments	 (42.84)
· otal stajaotinones	 157,623.80
Net Cash Provided By (Used in) Operating Activities	10,622.81
Cash Flows From Investing Activities	
Proceeds From Sale of Fixed Assets	 0.00
Net Cash Provided By (Used In) Investing Activities	0.00
Cash Flows From Financing Activities	
Notes Payable Repayments	 (16,000.00)
Net Cash Provided By (Used In) Financing Activities	 (16,000.00)
Net Increase (Decrease) In Cash and Cash Equivalents	(5,377.19)
Cash and Cash Equivalents Beginning of Year	 417,897.94
Cash and Cash Equivalents End of Year	\$ 412.520.75

Fiduciary Fund Type Cemetery Perpetual Care Statement of Revenues, Expenditures and Changes in Fund Balance Actual vs. Budget For the Year Ended March 31, 2004

		Actual		Budget	E	Variance avorable nfavorable)
Revenues						
Interest Income	\$	435.63	\$	0.00	\$	(435.63)
Receipts		1,770.00		0.00	•	(1,770.00)
Total Revenues		2,205.63		0.00		(2,205.63)
Expenditures						
Excess of Revenues Over (Under) Expenditures		2,205.63		0.00		2,205.63
Other Financing Sources (Uses)						
Transfers out		(428.25)		0.00		428.25
Total Other Financing Sources (Uses)		(428.25)		0.00		(428.25)
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		1,777.38	\$	0.00	•	4.555
Fund Balance Beginning of Year			-	0.00	»	1,777.38
		24,614.90				
Fund Balance End of Year	<u>\$</u>	26,392.28				

Township of Fairhaven Fiduciary Fund Type Cemetery Perpetual Care Statement of Cash Flows For the Year Ended March 31, 2004

Cash Flows From Operating Activities

-	
Net Income (Loss) Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities: Losses (Gains) on sales of Decrease (Increase) in Operating Assets: Increase (Decrease) in Operating Liabilities:	\$ 1,777.38
Total Adjustments	 0.00
Net Cash Provided By (Used in) Operating Activities	1,777.38
Cash Flows From Investing Activities	
Net Cash Provided By (Used In) Investing Activities	0.00
Cash Flows From Financing Activities	
Net Cash Provided By (Used In) Financing Activities	 0.00
Net Increase (Decrease) in Cash and Cash Equivalents	1,777.38
Cash and Cash Equivalents Beginning of Year	 24,614.90
Cash and Cash Equivalents End of Year	\$ 26,392.28

Note 1-Summary of Significant Accounting Policies:

A. Description of Township Operations

The Township is located in Huron County, Michigan and operates under an elected Council. The Township provides services to the residents as authorized by its charter, which include public safety (police and fire), highways and streets, parks and recreation, public improvements, planning and zoning, and general administration services.

B. Reporting Entity

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, the definition of the reporting entity is based primarily on the premise of financial accountability. The Township is a primary government and is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on , the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. These types of organizations are deemed component units.

Based on the provisions of GASB 14, there are no organizations that are deemed to be component units of the Township.

C. Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenses or expenditures. The following funds and account groups are used by the Village:

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund Type:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing services to the general public on a continuing basis is financed through user charges.

Fiduciary Fund Type:

Nonexpendable Trust Fund - The Trust Fund was established to account for assets received and held by the government in the capacity of trustee for individuals, other governments and/or other funds for which a portion of the fund must be held intact.

Account Group:

General Fixed Assets Account Group - This account group is used to account for fixed assets purchased by and used in governmental fund type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All propriety funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, unless it will benefit beyond the year end. It is then recorded as a prepaid item.

Those revenues susceptible to accrual are property taxes, licenses, interest revenue and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. Accounting Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures/expenses. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

F. Property Taxes

Properties are assessed as of June 30, and the related property taxes become a lien on June 1 of the following year. These taxes are due on September 14 with the final collection date of September 14. After this date, they are added to the County tax rolls.

Property taxes levied are collected and deposited in the General Fund. The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year. Delinquent personal property taxes are not paid by the County revolving tax fund and will be remitted to the Township as collection occurs. The tax rates assessed for the year ended March 31, 2004, to finance the general fund operations were based on the taxable value of \$29,466,304. The following rates were levied based on the taxable value:

<u>Fund</u>	Mills
General	0.8595
Roads	2.9438
Police	2.4071
Street Lighting	1.5000
Fire	.9627
School	_5.0000
Total	13.6731

G. Budgets

Budgets and amended budgets as presented for the Governmental Fund Types are adopted on a basis consistent with generally accepted accounting principles. The budgeted amounts shown in budget to actual comparisons are the final amended budgets. All annual appropriations lapse at year end. The Township does not utilize encumbrance accounting.

H. "Totals - (Memorandum Only)"

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund type and account group. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

I. Inter Fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non routine permanent transfers of equity are reported as residual equity transfers. All other inter fund transfers are reported as operating transfers.

Note 2 - Budgets:

In the combined financial statements, the Township's actual expenditures and budgeted expenditures, as amended, for budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the fund level.

P.A. 621 of 1978, as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the function level.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as presented in the financial statements.

Note 3 - Cash and Investments:

Deposits - The Township's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Township's deposits was \$607,536.83 and the bank balance was \$608,936.53.

Investments - State statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of March 31, 2004, the Township investments consisted of certificates of deposit of which the carrying amount and the bank balance was \$452,801.82.

The total Township cash and investments amounted to \$1,060,358.65 as of March 31, 2004 and \$1,030,238.65 was covered by Federal Depository Insurance.

Note 4 - Proprietary Fund Fixed Assets:

Additions to the utility plant are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Sewer Building and Lines Buildings Equipment Office Equipment

50 years 15-30 years 10-20 years 5 years

Note 5 - Contributed Capital:

Contributed capital currently exists only in the Enterprise Fund. This capital has been used along with other Township resources to purchase or construct the sewer system currently in use within the Township. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues is closed to contributed capital rather than retained earnings.

Note 6 - Contingent Liabilities:

Contingent Liability - Unemployment Compensation Costs

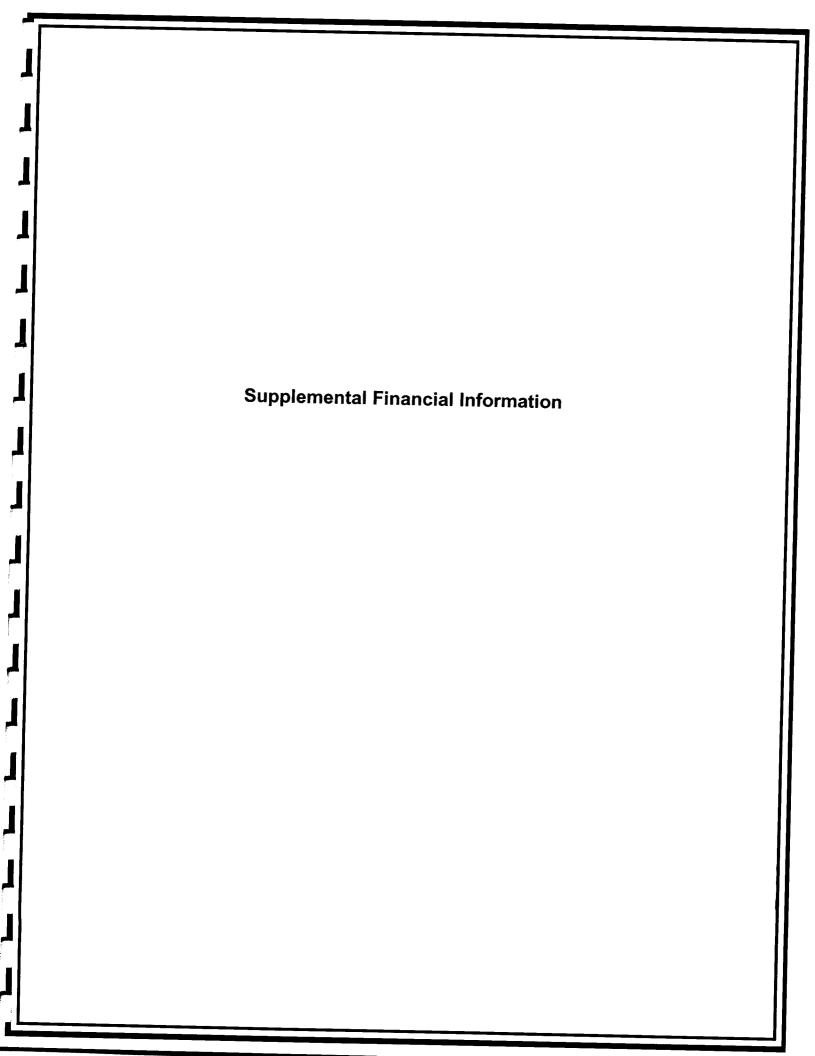
The Township has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Township employees by the Michigan unemployment fund must be reimbursed by the Township on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Township becomes liable to the State of Michigan for unemployment benefits paid.

Note 7 - Pension Plan

The Township of Fairhaven does not provide any pension and or retirement benefits.

Note 8 - New Reporting Standard

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The Township is required to implement this standard for the fiscal year beginning after June 15, 2003. The Township has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.



Township of Fairhaven General Fund Schedule of Revenues For the Year Ended March 31, 2004

Davassas		Actual	Budget	<u>Variance</u> Favorable (Unfavorable)
Revenues				
Current Taxes	\$	22,896.82	\$ 22,141.74	\$ 755.08
Payments in Lieu of Taxes		139.97	139.97	0.00
Delinquent Taxes		2,171.66	3,265.52	(1,093.86)
Trailer Park Taxes		2,352.00	2,412.00	(60.00)
Cable TV Fees		3,759.48	0.00	3,759.48
Animal License Fees		40.00	37.00	3.00
Sales Tax		82,913.00	85,000.00	(2,087.00)
Intangibles Tax		21,895.00	24,500.00	(2,605.00)
Interest Income		3,973.42	6,000.00	(2,026.58)
Miscellaneous Income		4,179.70	4,200.00	(20.30)
Refunds & Reimbursements		12.00	 0.00	12.00
Total Revenues	<u>\$</u>	144,333.05	\$ 147,696.23	(3,363.18)

Township of Fairhaven General Fund

Schedule of Expenditures For the Year Ended March 31, 2004

		<u>Actual</u>		Budget		<u>Favorable</u> (Unfavorable)
Legislative						
Board of Review Salary	\$	720.83	\$	950.00	\$	200.47
Board of Review Legal Notice		0.00		350.00	Φ	229.17 350.00
Total Legisaltive	\$	720.83	<u>\$</u>	1,300.00	\$	579.17
General Government						
Gen. Gov. Office Supplies	\$	282.50	\$	0.00	•	
Gen. Gov. Tax Collection	Ψ	4,947.60	Φ	0.00	\$	(282.50)
Clerk Salary		6,500.04		0.00		(4,947.60)
Deputy Clerk Salary		1,816.00		6,500.00		(0.04)
Clerk Dues		50.00		3,000.00		1,184.00
Clerk Education, meetings, conferences				100.00		50.00
Clerk Travel		175.00		300.00		125.00
Clerk Office Supplies		251.39		500.00		248.61
Treasurer Salary		37.00		100.00		63.00
Deputy Treasurer Salary		6,500.04		7,000.00		499.96
Treasurer Office Supplies		818.00		1,500.00		682.00
Treasurer Postage		782.91		1,000.00		217.09
Treasurer Education, meetings, confere		555.00		1,000.00		445.00
Treasurer Miscellaneous		175.00		1,000.00		825.00
TreasurerTravel		50.00		100.00		50.00
Trustees Salary		339.40		900.00		560.60
Fica (Twp. Share)		3,600.00		3,600.00		0.00
		3,251.09		4,390.00		1,138.91
Dues & Subscriptions		642.51		0.00		(642.51)
annual support & update equip		420.00		0.00		(420.00)
Educational Meetings/Seminars		0.00		1,200.00		1,200.00
Attorney Fees		907.50		3,000.00		2,092.50
Accountant Fees		0.00		3,000.00		3,000.00
Supervisor Salary		4,119.96		4,120.00		0.04
Assessor Salary		9,713.58		16,500.00		6,786.42
Assessor Office Supplies		74.00		200.00		126.00
Assessor Miscellaneous		0.00		750.00		750.00
Elections Salary		552.11		800.00		247.89
Elections Canvssing Elections		0.00		100.00		100.00
Elections Supplies		62.64		200.00		137.36
Elections Printing		0.00		250.00		250.00
Elections Voting Machines		0.00		250.00		250.00
Elections Legal Notices		0.00		250.00		250.00
Legal Notices		14.00		500.00		486.00
Trustee Education-Meet-Semina		0.00		1,200.00		1,200.00
Trustee Dues & Subscriptions		0.00		750.00		750.00

Township of Fairhaven General Fund

Schedule of Expenditures For the Year Ended March 31, 2004

	To the real Ended March 31, 2004					
		<u>Actual</u>		Budget		Favorable (Unfavorable)
Total General Government	<u>\$</u>	46,637.2	<u>7 \$</u>	64,060.00		17,422.73
Public Works						
Other						
Safety Insurance	\$	1,020.00	\$	0.00	\$	(4.020.00)
Operating Supplies & Expense		0.00		350.00	Ψ	(1,020.00) 350.00
Repairs & Maintenance		635.10)	6,000.00		
Office Supplies and Postage		25.00		700.00		5,364.90
Electricity		974.43		1,800.00		675.00
Heat		1,358.03		1,500.00		825.57
Sewer Payments		307.80		310.00		141.97
Office Machines & Equipment		3,865.00		3,750.00		2.20 (115.00)
Telephone		1,386.09		1,500.00		113.91
Liability Insurance		363.57		0.00		
Worker Comp Insurance		5,338.46		5,000.00		(363.57)
Grass Cutting		2,244.00		2,500.00		(338.46) 256.00
Trash Removal		276.00		400.00		
Snow Removal		17.30		200.00		124.00
Park Expense		350.00		0.00		182.70
Hall Custodial		0.00		1,500.00		(350.00) 1,500.00
Trailer Park Fee		1,965.00		2,000.00		35.00
Spring Clean-Up		0.00		5,000.00		5,000.00
Animal Licenses Expense		0.00		418.00		
Ambulance		2,994.00		3,000.00		418.00
Printing and Publishing		932.34		1,000.00		6.00 67.66
Acquired Property Taxes Drains		25,829.87		34,360.00		8,530.13
BankChages		15.00		100.00		85.00
Community Improvement		0.00		1,000.00		1,000.00
Library		1,500.00		1,250.00		(250.00)
Post Office Box rent		36.00		0.00		(36.00)
						(00.00)
Total Other	\$	51,432.99	<u>\$</u>	73,638.00	\$	22,205.01
Capital Outlay						
Capital Outlay	\$	0.00	\$	0.00	\$	0.00
Total Expenditures	\$	98,791.09	\$	142,598.00	t t	42.000.04
					Р	43,806.91

Township of Fairhaven Balance Sheet Sewer Operating Fund March 31, 2004

	,	
Assets		
Current Assets		
O & M Checking Acct	•	
Debt Retirement Savings	\$	53,693.13
Bond and Interest Redemption		91,481.22
O & M Savings Acct		52,288.31
Debt Retirement Checking		108,460.37
Bond Reserve Account		17,318.84
Accounts Receivable Sewer		89,278.88
Accounts Receivable Sewer Connection		21,115.84
Prepaid Insurance		167,525.32
Total Current Assets		4,043.42
		605,205.33
Property and Equipment		
Capitalized Interest		56,693.67
Less-Accumulated Amortization		(16,295.96)
Land		69,428.12
Machinery and Equipment		48,253.14
Legal Bonding and Start up Costs		76,810.44
Lagoon		422,492.19
Sewer Collection System		2,299,453.80
Engineering Fees		352,725.27
Building		14,270.82
Land Improvements		2,263.00
Office Furniture and Equipment		5,310.85
Less Accumulated Depr		(1,718,662.04)
Total Property and Equipment		1,612,743.30
Total Assets		
Total Assets	<u>\$</u>	2,217,948.63
Liabilities and Fund Equity		
Liabilities		
· -	•	_
Accounts Payable	\$	2,564.74
Bonds Payable		1,097,000.00
Total Liabilities		1,099,564.74
Fund Equity		
Contributed Capital		
Retained Earnings		901,803.85
Total Fund Equity		216,580.04
		1,118,383.89

Total Liabilities and Fund Equity

2.217,948,63

Township of Fairhaven Special Revenue Funds Combined Balance Sheet March 31, 2004

Assets	Fire Fund	Highway Fund	Police Fund	i <u>Cemetary</u> Fund	. Li E	i <u>quor</u> iund	Street Lighting Eund	<u>Total</u>
Cash Taxes Receivable Prepaid Insurance Total Assets	3,375.38 4,923.04	0.00	\$195,426.28 8,440.02 0.00 \$203,866.30	0.00 <u>437.52</u>		0.00 0.00 0.00	,	23,789.72 5,360.56
Liabilities and Fund Equity								
Fund Equity Unreserved Total Liabilities and Fund Equity			\$203,866.30 \$203.866.30				\$ 25,607.04 \$ 25,607.04	\$ 355,413.63 \$ 355.413.63

Statement of Revenues, Expenditures and Changes in Fund Balance Actual vs. Budget For the Year Ended March 31, 2004

Fire Fund

Revenues		Actual	Budget	<u>Variance</u> Favorable (Unfavorable)
Property Taxes Current	•		_	\$ 4.505.70
Standby Fees	\$	28,891.45	,	\$ 1,535.72
Miscellaneous Income		1,200.00	1,200.00	0.00
Refunds, Rebates and Reimbursements		13,500.00	13,500.00	0.00
Fire Runs		1,498.00	0.00	1,498.00
Interest Income		600.00	450.00	150.00
Total Revenues		192.11 45,881.56	340.00 42,845.73	3,035.83
Expenditures			12,0 10.70	
Salaries				
Office Supplies		4,701.00	6,000.00	1,299.00
Operating Supplies		51.04	100.00	48.96
Dues and Subscriptions		557.06	500.00	(57.06)
Education Meetings and Seminars		250.00	350.00	100.00
Medical Expenses Physican		963.00	2,000.00	1,037.00
Telephone		0.00	1,000.00	1,000.00
Fuel Gas Diesel and Oil		428.09	500.00	71.91
Vehicle Maintenance		786.54	500.00	(286.54)
Insurance Workers Comp		3,234.92	4,000.00	765.08
Insurance Liability		2,446.25	1,200.00	(1,246.25)
Electricity		2,882.63	4,000.00	1,117.37
Heat		1,350.45	600.00	(750.45)
Sewer Payment		1,307.18	2,000.00	692.82
General Repairs and Maintenance		230.85	310.00	79.15
Radio-Pager Maintenance		760.35	2,000.00	1,239.65
Miscellaneous		2,425.56	1,500.00	(925.56)
Uniform Purchase and Mainteneance		993.14	0.00	(993.14)
Capital Outlay		1,502.95	0.00	(1,502.95)
otal Expenditures –		18,878.92	12,000.00	(6,878.92)
		43,749.93	38,560.00	5,189.93
xcess of Revenues Over (Under) Expenditures _		2,131.63	4,285.73	(2,154.10)
ther Financing Sources (Uses)				
excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		2,131.63 <u>\$</u>	4.285.73 ^{\$}	(2,154.10)
und Balance Beginning of Year		34,609.38		
und Balance End of Year The accompanying notes are on integration		<u> 36.741.01</u>		

of Year \$36.741.01The accompanying notes are an integral part of the financial statements.

Township of Fairhaven Statement of Revenues, Expenditures and Changes in Fund Balance Actual vs. Budget For the Year Ended March 31, 2004

Police Fund

		Police			
		Actual		Budget	Variance Favorable
Revenues					(Unfavorable)
Property Taxes Current	\$	72,238.41	•		\$ 3,832.87
Fines and Penalties	•	72,236.41 686.07	Ф	68,405.54	(313.93)
Interest Income		1,598.36		1,000.00	398.36
Total Revenues		74,522.84		1,200.00	(3,917.30)
Expenditures		7 1,022.01		70,605.54	(0,011.00)
Salaries					
Office Supplies		0.00		53,000.00	53,000.00
Operating Supplies		24.00		0.00	(24.00)
Dues and Subscriptions		39.00		0.00	(39.00)
Insurance Liability		0.00		200.00	200.00
Miscellaneous		0.00		1,000.00	1,000.00
Uniform Purchase and Mainteneance		6,675.66		0.00	(6,675.66)
Contracted Services HCSD		70.60		0.00	(70.60)
Capital Outlay		48,190.30		0.00	(48,190.30)
Total Expenditures		0.00		500.00	500.00
p stranger		54,999.56		54,700.00	(299.56)
Excess of Revenues Over (Under) Expenditures		19,523.28	·	15,905.54	(3,617.74)
Other Financing Sources (Uses)					
Transfers in		000.50			
Total Other Financing Sources (Uses)		962.50		(962.50)	(1,925.00) 1,925.00
	· .	962.50		(962.50)	1,925.00
Excess of Revenues and Other Financing					
(Uses) Over (Under) Expenditures		20,485.78 <u></u>	<u> </u>	14.943.04	5,542.74
Fund Balance Beginning of Year		183,380.52			
Fund Balance End of Year	\$	203,866,30			

Statement of Revenues, Expenditures and Changes in Fund Balance Actual vs. Budget For the Year Ended March 31, 2004

Special Highway Fund

Revenues		Actual		Budget	(I	Variance Favorable Unfavorable)
Property Taxes Current Interest Income Total Revenues	\$ 	85,879.43 1,295.95 87,175.38		83,658.56 2,000.00 85,658.56	\$ 	2,220.87 (704.05) 1,516.82
Expenditures Road Maintenance Total Expenditures		133,799.56 133,799.56	_	110,000.00		(23,799.56) 23,799.56
Excess of Revenues Over (Under) Expenditures Other Financing Sources (Uses)		(46,624.18)		(24,341.44)		(22,282.74)
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		(46,624.18)	\$	(24,341.44)	\$	(22,282.74)
Fund Balance Beginning of Year		133,081.23				
Fund Balance End of Year	<u>\$</u>	86,457.05				

Township of Fairhaven Statement of Revenues, Expenditures and Changes in Fund Balance Actual vs. Budget

For the Year Ended March 31, 2004

	Street Lighting Fund					
		Actual		Budget	E	ariance avorable favorable)
Revenues						
Property Taxes Current Interest Income Total Revenues	\$	10,265.95 209.74	\$	(9,742.00) (150.00)	\$	20,007.95 359.74 20,367.69
Expenditures		10,475.69		(9,892.00)		20,307.09
Electricity		0.001.00				(0.054.07)
Total Expenditures	-	9,051.87 9,051.87		0.00		9,051.87
Excess of Revenues Over (Under) Expenditures		1,423.82		(9,892.00)		11,315.82
Other Financing Sources (Uses)						
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures		1,423.82	¢	(9.892.00)	\$	11,315.82
Fund Ralance Reginning of Vers		1,120.02	<u> </u>	19,692,001		
Fund Balance Beginning of Year		24,183.22				
Fund Balance End of Year	\$	25.607.04				

Township of Fairhaven Statement of Revenues, Expenditures and Changes in Fund Balance Actual vs. Budget For the Year Ended March 31, 2004

Liquor Fund

	Actual	Budget	<u>Variance</u> <u>Favorable</u> (Unfavorable)	
Revenues				
Liquor License Fees	\$ 962.50	\$ 962.50	\$ 0.00	
Total Revenues	962.50	962.50	0.00	
Expenditures				
Excess of Revenues Over (Under) Expenditures	962.50	962.50	0.00	
Other Financing Sources (Uses)				
Transfers out Total Other Financing Sources (Uses)	(962.50) (962.50)		0.00	
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	0.00	\$0.00	\$ 0.00	
Fund Balance Beginning of Year	0.00			
Fund Balance End of Year	\$ 0.00			

Statement of Revenues, Expenditures and Changes in Fund Balance Actual vs. Budget

For the Year Ended March 31, 2004

Cemetery Fund

	Actual	Budget	Variance Favorable (Unfavorable)
Revenues			
Grave Openning Fees Lot Sales	\$ 3,350.00 1,750.00	\$ 2,400.00 1,000.00	\$ 950.00 750.00
Transfer In Perpetual Care Fund Interest Income	217.69 143.28	0.00	217.69 133.28
Total Revenues	5,460.97	3,410.00	2,050.97
Expenditures Salaries Saxton			3 400 00
Office Supplies Insurance Workers Comp	400.00 27.50	3,800.00 150.00	3,400.00 122.50
Insurance Liability	0.00 996.59	1,500.00 0.00	1,500.00 (996.59)
General Repairs and Maintenance Miscellaneous	0.00 12.00	150.00 0.00	150.00 (12.00)
Contracted Services Capital Outlay	5,650.00 0.00	4,000.00 5,000.00	(1,650.00) 5,000.00
Total Expenditures	7,086.09	14,600.00	(7,513.91)
Excess of Revenues Over (Under) Expenditures	(1,625.12)	(11,190.00)	9,564.88
Other Financing Sources (Uses)			
Transfers In Total Other Financing Sources (Uses)	3,650.00 3,650.00	11,500.00 11,500.00	(7,850.00) (7,850.00)
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures			\$ 1,714.88
Fund Balance Beginning of Year	, :	\$ 310.00	1,714.88
Fund Balance End of Year	\$ 2.742.23		

Agency Fund Statement of Changes in Assets and Liabilities March 31, 2004

Tax Collection Fund

	<u>Balance</u> Beginning o Year	f Additons	<u>Deductions</u>	Balance End of Year
Assets				
Cash	\$ 0.00	\$ 824,907.06	\$ 824,907.06	\$ 0.00
Liabilities				
Due to General Fund	0.00	22,249.51	22,249.51	0.00
Due to Fire Fund	0.00		25,639.05	0.00
Due to Road Fund	0.00		76,218.22	0.00
Due to Police Fund	0.00	64,105.86	64,105.86	0.00
Due to Street Lighting Fund	0.00		8,490.47	0.00
Due to Sewer Fund	0.00	6,886.55	6,886.55	0.00
Due to County	0.00	260,813.96	260,813.96	0.00
Due to Schools	0.0	0 243,109.71	243,109.71	0.00
Due to ISD	0.00	117,393.73	117,393.73	0.00
	\$ 0.00	\$ 824,907.06	\$ 824,907.06	\$ 0.00

Township of Fairhaven Statement of General Fixed Assets March 31, 2004

	Balance March 31, 2003	Additions	Deductions	Balance March 31, 2004
General Fixed Assets				
Land and Land Improvements Buildings Equipment	\$ 27,901.00 172,422.00	\$ 0.00 0.00	\$ 0.00 0.00	\$ 27,901.00 172,422.00
Village Office Police and Fire Department Parks and Recreation Department	301,022.00 0.00 276,147.04	18,878.92 0.00	0.00	301,022.00 18,878.92 276,147.04
Total General Fixed Assets	<u>\$ 777.492.04</u>	<u>\$ 18,878.92</u>	\$ 0.00	<u>\$ 796,370.96</u>

George Zahul, CPA, PC

101 N Port Crescent St Bad Axe, MI 48413

September 17, 2004

To the Township Board Township of Fairhaven Bay Port, MI 48720-0003



The following comments related to situations that came to my attention during the course of my recent examination of the Township of Fairhaven's financial statements as of and for the year ended March 31, 2004, and are submitted for your evaluation and consideration. I would like to emphasize that, since my examination was conducted for the purpose of expressing an opinion on the previously referred to financial statements, these comments are not necessarily all inclusive.

- 1. The Township over-expended in the General Fund in comparision to the budget. This excess of expenditure over budget amount is in violation of P.A. 621. The Board should avoid such violations by periodically reviewing actual expenditures and revenues as compared to budget amounts.
- 2. Please contact our office in the near future, regarding the implementation procedures of the changes required by GASB 34, which will affect the way you account for transactions.

If you would need assistance in implementing the above, I would by happy to assist you.

I want to take this opportunity to thank the Board for selecting me to do your audit, and I want to thank the Township Officials for their help and assistance during the audit.

Yery truly yours, Hey A Galul PC

George A. Zahul, PC

Certified Public Accountant